

## Message Text

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FOR COMMERCE/MEPD

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TAGS: ENRG, BEXP, BMEP, EIND, NI

SUBJ: MAJOR PROJECTS: NIGERIAN PETROCHEMICALS AND FERTILIZER

REF: LAGOS 03793

SUMMARY: EMBASSY OFFICER AND VISITING MEPD PROJECT OFFICER MET WITH DR. A.A. OYEKAN, PRINCIPAL ASSISTANT SECRETARY, CHEMICAL UNIT, MINISTRY OF INDUSTRIES (MOI) TO DISCUSS FMG PLANS FOR DEVELOPMENT OF PETROCHEMICAL AND FERTILIZER INDUSTRIES. MINISTRY CURRENTLY CONSIDERING PROPOSALS FROM POTENTIAL TECHNICAL PARTNERS FOR (1) NATURAL GAS TO ETHYLENE-BASED PETROCHEMICAL COMPLEX IN BONNY RIVER (PORT HARCOURT) AREA, (2) ADJACENT FERTILIZER (AMMONIA/UREA) FACILITY, (3) POSSIBLE SECOND FERTILIZER PROJECT AT ANOTHER LOCATION, (4) AROMATICS-BASED POLYESTER FIBER PRODUCTION FACILITY AT UNDESIGNATED LOCATION. CHOICE OF TECHNICAL PARTNERS WILL UNDOUBTEDLY INFLUENCE PROCUREMENT EQUIPMENT AND SERVICES FOR DESIGNING AND BUILDING FACILITIES. WHILE PROCESS OF CHOOSING TECHNICAL PARTNERS IS PROCEEDING, TIMETABLE PROBABLY WILL HINGE ON MINISTRY OF MINES AND POWER (MMP) PROGRESS WITH LNG PROJECT (SEPTEL), I.E. GAS ALLOCATION AND SITE FOR LNG FACILITIES WILL DICTATE OPTIONS FOR GAS ALLOCATION AND SITES FOR OTHER INDUSTRIAL DEVELOPMENT.

1. PETROCHEMICALS: MOI PROCEEDING ON BASIS OF FEASIBILITY STUDY DONE BY FOSTER WHEELER (WHICH PRECLUDES FW FROM PRIME

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CONTRACT FOR PROJECT). NIGERIANS ADAMANT THAT COMPLEX SHOULD

PRODUCE POLY-VINYL CHLORIDE, VINYL CHLORIDE MONOMER, CAUSTIC CHLORINE, POLYETHYLENE, AND METHANOL FUEL. (METHANOL PRODUCTION WILL SOLVE METHANE TAIL-GAS PROBLEM.) OYEKAN CITED FOUR U.S. FIRMS WHICH HAVE PROPOSALS AS TECHNICAL PARTNER - ASHLAND OIL, DOW CHEMICAL, HERCULES, AND DIAMOND SHAMROCK AND SAID THAT NONE OF THESE HAS SHOWN INTEREST IN METHANOL OR CAUSTIC CHLORINE. HE ALSO SAID THAT SEVERAL OTHER NON-U.S. PROPOSALS HAVE BEEN MADE INCLUDING JAPANESE.

2. MOI HAS SUGGESTED THAT POTENTIAL PARTNERS FORM CONSORTIA SO NIGERIANS COULD EVALUATE PROPOSALS ON EQUAL BASIS, WITH EACH CONSORTIUM PRESENTING PROPOSAL FOR ALL FIVE PRODUCTS. WE INQUIRED AS TO THE DESIRABILITY OF UTILIZING PROJECT MANAGER TO INTEGRATE PROPOSALS AND OVERSEE ENTIRE PROJECT. OYEKAN SAID MINISTRY WOULD PREFER THAT SINGLE TECHNICAL PARTNER OR CONSORTIUM BE CHOSEN FIRST, AND THAT TECHNICAL PARTNER WOULD THEN OVERSEE THE TENDERING OF VARIOUS PHASES OF DESIGN/CONSTRUCTION.

3. SINCE CHOICE OF PARTNER WILL BE A KEY FACTOR IN CHOICE OF DESIGNER AND LATER EQUIPMENT PROCUREMENT, SUGGEST COMMERCE CONTACT ABOVE-NAMES U.S. FIRMS TO PASS ON THIS INFORMATION AND ENDEAVOR TO FIND OTHER COMPANIES INTERESTED IN INVESTMENT TO COMPLEMENT THEIR PROPOSALS. ALSO MEPD SHOULD ALERT U.S. DESIGN/ENGINEERING FIRMS TO SUBSTANTIAL OPPORTUNITY.

4. OYEKAN ADDED THAT HE HAS NOT HEARD FROM DOW RECENTLY AND WONDERED WHETHER DOW WAS STILL INTERESTED IN PETROCHEMICAL COMPLEX. HE DID SAY THAT DOW HAD ALSO MADE PROPOSAL FOR SEPARATE SITE FOR PRODUCTION OF POLYESTER FIBERS. WOULD APPRECIATE COMMERCE BRINGING THIS TO DOW'S ATTENTION SO WE MAY NOTIFY OYEKAN OF DOW'S INTENTIONS.

5. FERTILIZER -- OYEKAN NOTED THAT HE HAD FERTILIZER PROPOSALS FROM INTERNATIONAL PETROLEUM PLANNING COMPANY REPRESENTING AGRICO (WILLIAMS COMPANIES), ASHLAND OIL, ALLIED CHEMICAL, AND HERCULES FROM U.S. AS WELL AS LONG LIST OF FOREIGN FIRMS WHICH HE WOULD NOT DISCLOSE. BASED ON ORIGINAL FEASIBILITY STUDY DONE BY CHEMICO (WHICH PRECLUDES CHEMICO FROM PRIME CONTRACT), AMMONIA/UREA FACILITIES TO BE ADJACENT AND INTEGRATED INTO PETROCHEMICAL COMPLEX, ALTHOUGH TECHNICAL PARTNER TO BE LIMITED OFFICIAL USE

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CHOSEN SEPARATELY.

6. OYEKAN SAID THAT CHOICE OF DESIGN ENGINEER WOULD BE MADE AFTER TECHNICAL PARTNER WAS CHOSEN. IN ANSWER TO OUR INQUIRY REGARDING POSSIBLE INVOLVEMENT BY CHEMICO, HE SAID THAT THEY COULD ONLY BE CONSIDERED AS SUBCONTRACTOR, FOR INSTANCE ON UREA FACILITY. MOI HAS ALSO BEEN APPROACHED BY M. W. KELLOGG, THOUGH NO ONE FROM KELLOGG VISITED NIGERIA TO PURSUE THIS

PROJECT. MEPD SHOULD CONTACT KELLOGG AND SUGGEST A VISIT TO NIGERIA AT THIS TIME WOULD BE APPROPRIATE.

7. MOI ALSO CONSIDERING SEPARATE UREA-FERTILIZER PROJECT AWAY FROM BONNY RIVER. THERE ARE SEVERAL POSSIBLE SITES INCLUDING MIDWESTERN STATE NEAR THE OFFSHORE SITE OF LNG FACILITY PROPOSED BY GULF OIL. IN SEPARATE CONVERSATION WITH LOCAL FOSTER WHEELER (U.K.) REP, WE LEARNED CONFIDENTIALLY THAT GULF/FOSTER WHEELER HAVE INDEED PRESENTED FERTILIZER PROPOSAL WHICH IS SEPARATE FROM GULF LNG PROPOSAL.

8. ASKED ABOUT TIMING OF ALL DECISIONS, OYEKAN SAID THEY WOULD HAVE TO FIT INTO GOVERNMENT'S OVERALL DEVELOPMENT SCHEME AND MENTIONED LNG QUESTION AS HAVING NOT YET BEEN DECIDED. HE DID SAY THAT HIS MINISTRY WAS MOVING ALONG TOWARD CHOOSING PARTNERS IN ANY EVENT, BUT HE COULD GIVE NO SCHEDULE FOR SUCH DECISIONS.

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